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SUBJECT: CROATIA OFFERS COMPROMISE ON KEY REFUGEE ISSUES
UNDER "SARAJEVO PROCESS"

REF: A. 2006 ZAGREB 1513
[1](#)B. 2006 ZAGREB 1055

Classified By: Amb R. A. Bradtke for reasons 1.4 (b) and (d)

[1](#)1. (SBU) SUMMARY AND COMMENT: At a February 2 meeting near Dubrovnik, Croatian, Serbian, Bosnian and Montenegrin officials met with OSCE, UNHCR and EC reps to plan the wrap-up of the "Sarajevo Process," a regional approach to refugee issues involving targets set by each country (the individual "Road Maps") and a mutually agreed matrix of cooperative measures. UNHCR and OSCE reps told poloff that having addressed six of its eight Road Map points, the Croatian delegation proposed to include the two key remaining issues in a Ministerial Declaration to be signed later this spring.

[1](#)2. (SBU) As described by new Assistant Minister for Refugee Issues Milivoj Mikulic, the GOC would for the first time commit to some form of compensation for refugees who formerly held "occupancy/tenancy rights" (OTR) in socialized housing, but who do not wish to return to Croatia. In addition, the GOC would commit to a solution for the convalidation problem, by which Croatian Serbs seek recognition, for pension purposes, of the time they worked in formerly Serb-occupied areas of Croatia. These are potentially very expensive programs, and politically sensitive for the GOC.

[1](#)3. (SBU) Because the convalidation issue will have to be resolved as part of Croatia's EU accession, the international community has some assurance that it will be adequately addressed. Compensation for refugees who do not plan to return to Croatia has never been offered before; this represents a major concession by the GOC, which was praised by the UNHCR, OSCE and EC reps. The Bosnian and Montenegrin delegations accepted the GOC's proposal to deal with these issues in a separate Ministerial Declaration (i.e. outside of Croatia's individual Road Map), but the Serbian delegate insisted they should be in both Croatia's road map and the joint matrix. Negotiations for a spring Ministerial in Podgorica continue. UNHCR/Croatia noted that given the favorable reaction by other players to Croatia's initiative, the new Serbian government may not wish to appear the sole obstacle to a regional agreement to close the refugee file.
END SUMMARY AND COMMENT

Sarajevo Process Moving Slowly to Resolve Refugee Issues

[1](#)4. (U) The December 2005 Sarajevo Declaration committed the governments of Bosnia and Herzegovina, Croatia and Serbia and Montenegro to resolve remaining refugee return issues through a regional approach; it was due to wrap up by the end of [1](#)2006. The Declaration called on each country to deal with refugee issues according to its own "Road Map" and addressed

regional problems in a "Joint Matrix." Slow work on the country roadmaps and disagreements about the contents of the joint matrix slowed the process; the OTR compensation and convalidation issues were major sticking points. Through its individual road map, Croatia has set up processes to address home reconstruction and repossession, infrastructure development (including electrification and water restoration), data exchange, solutions for refugees in Croatia, and social rights of refugees and returnees.

Croatia Proposes Compromise In Declaration

15. (C) At the working level February 2 meeting in Cavtat, according to UNHCR/Croatia Senior Protection Officer Wilfried Buchhorn, Assistant Minister Mikulic took a constructive approach by offering two new compromise positions: he proposed addressing compensation for Croatian Serb refugees - former OTR holders who decided not to return - in the ministerial declaration. This is the first time Croatia has been willing to discuss such compensation, preferring instead to address the issue in terms of its humanitarian housing program for those who do wish to return. Mikulic proposed to address compensation in the Declaration as a "fair compensation mechanism" without details as to the source or mechanisms of funding. The Head of Return and Reintegration for OSCE/Croatia, Christian Loda, who also attended the meeting, told poloff that this willingness was an important gesture and opened the door for future discussions.

16. (C) Mikulic's second component would refer to convalidation of working years for ethnic Serbs who were employed in the former "Krajina" zone. While the numbers are still unclear, there may potentially be 20,000 persons

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affected. High-level GOC contacts have consistently warned Emboffs that convalidation is a political hot potato, particularly in an election year, because many ethnic Croatian retirees do not receive adequate pensions. Nevertheless, Mikulic left the door open to finding a solution to convalidation and recognized a GOC commitment to follow through. In addition - and also unexpected - was Mikulic's offer to extend the application deadline for OTR holders outside the war-affected areas (Areas of Special State Concern or ASSC), which expired in September 2005.

Serbian Delegate Opposed to Compromise

17. (SBU) The OSCE and UNHCR reps noted that GOS Refugee Commissioner Dragisa Dabetic (who, they said, was not likely to continue in that position once a new government was formed in Belgrade) asserted that he expected "millions of dollars in cash" as compensation for some 19,000 refugees who lost OTR. Mikulic reportedly asked for an estimate of former OTR holders living in Serbia which was based on reliable data. Dabetic also rejected the idea of addressing the two issues in the Declaration and insisted that they be incorporated in Croatia's Road Map and in the joint matrix of tasks to be completed.

Political Guarantee: Declaration, And EU Accession Process

18. (C) UNHCR and the OSCE believe that addressing these issues in a separate declaration could offer some political guarantees. In addition, EC delegation Political Advisor David Hudson reaffirmed that convalidation remains one of Croatia's commitments in its EU accession process, providing additional assurance that the GOC will address it. According to Buchhorn, the international community and all regional governments want to make progress in the lagging Sarajevo process; given the support expressed by Bosnia and Montenegro, Serbia risks looking like the lone obstacle to

progress.

OTR Housing Care Process Continues

19. (SBU) Mikulic's appointment in November 2006 gave a new impetus to the lethargy surrounding the GOC's "Housing Care" program for former OTR holders. (Ref B) He recently told poloff he plans to complete the administrative review and inform applicants of their status by March. The Housing Care program foresees construction and purchase of 4,000 flats, which according to current plans will take until 2012 to complete. To date, about 50 applicants have been approved and moved into apartments, opening the GOC to criticism that the program remains largely unimplemented. Although these and other problems such as lack of economic opportunity hinder refugee returns, the GOC has demonstrated a commitment to resolve the issue, and a pragmatic recognition of the work left to be done. The Ambassador and the international community continue to push the GOC to move more quickly in implementing the housing care program.

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